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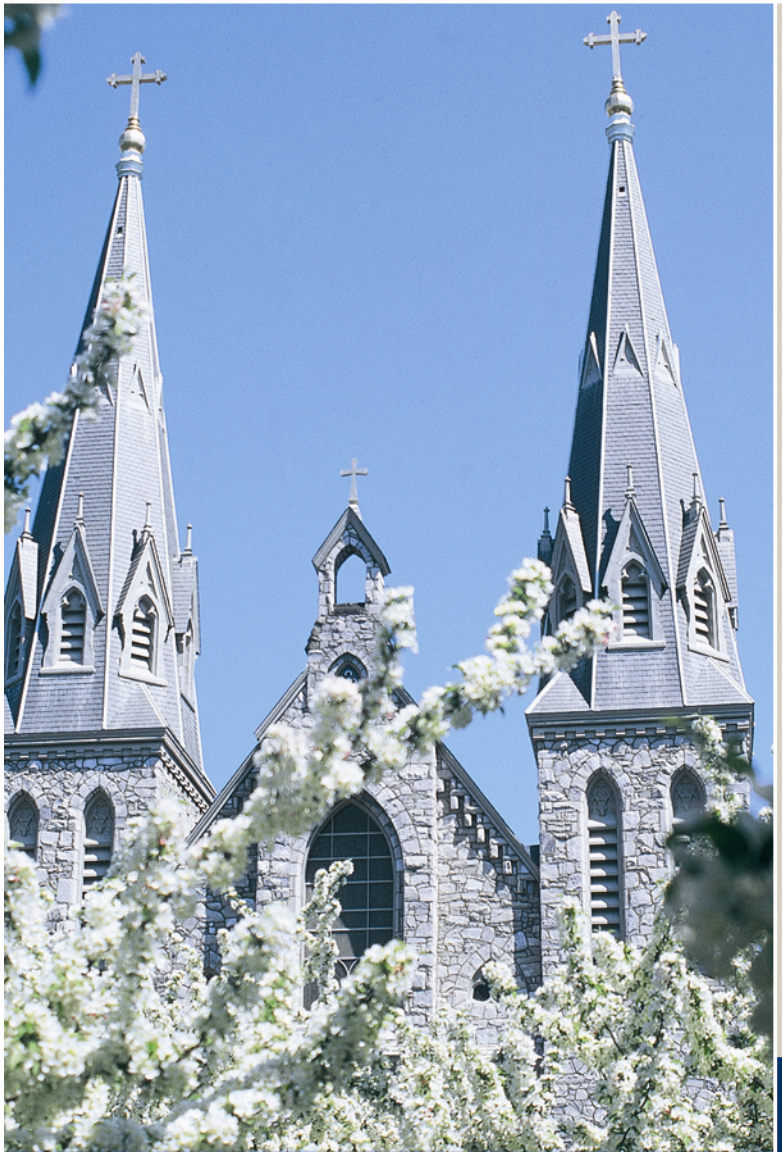

Identifying the Value of Project Management

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Agenda

- Identify why you need to measure the value of project management
- Introduction to the ROI Methodology
- Explain the benefits of implementing the ROI Methodology in your organization

Why Do We Need Project Management?

- Approximately 70% of projects are:
  - **Over budget**
  - **Behind schedule**

- 52% of all projects finish at 189% of their initial budget

Resistance to Implementing Project Management

- It takes to long
- Just do it attitude
- Costs to much in resources
- We already manage projects
- We don’t want to know how bad

What is ROI?

$$ROI = \frac{\text{Net Monetary Benefits}}{\text{Program Costs}} \times 100$$

WRONG!

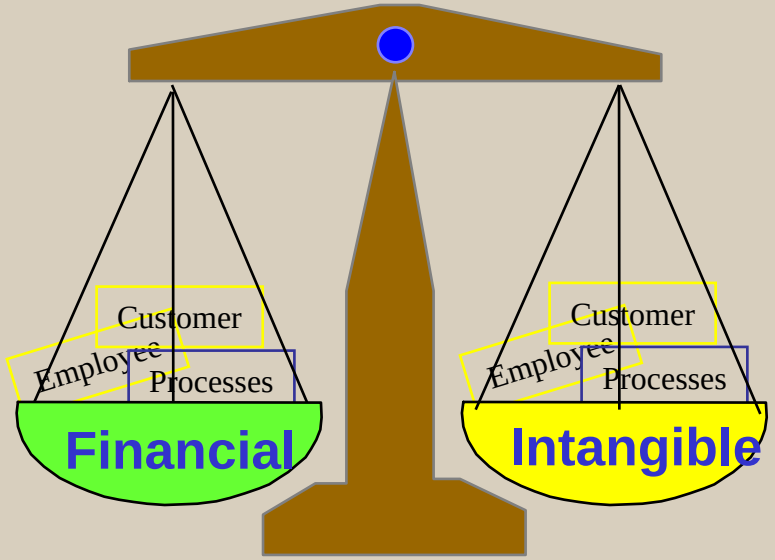
- Okay, right if you're an MBA
- It is a story of how you collected the data
- Identifies where the data comes from
- Shows all the numbers
- Shows who deserves what credit
- Reports intangibles!!!
- It is a methodology

ROI Uses


Project Management
Organization Development
Consulting
Change Initiatives
Technology Implementation
Quality / Six Sigma
Training and Learning
Coaching

The ROI Process Takes A Balanced View by Measuring and Reporting:

- Reaction to program
- Learning and attitudes
- Application on the job
- Impact in work unit
- Impact on the customer
- The financial results
- Intangible benefits
- Nature and source of problems and opportunities



What You Can Do With an ROI Evaluation

- Show contributions of project management
- Earn respect of senior management
- Gain the confidence of clients
- Improve support for project management initiatives
- Enhance project management processes
- Identify inefficient processes that need to be redesigned

Why Use an ROI Analysis?

Reactive

- Justify/defend budgets
- Identify inefficient processes that need to be redesigned or eliminated
- Show contributions of project management

Why Use an ROI Analysis?

Proactive

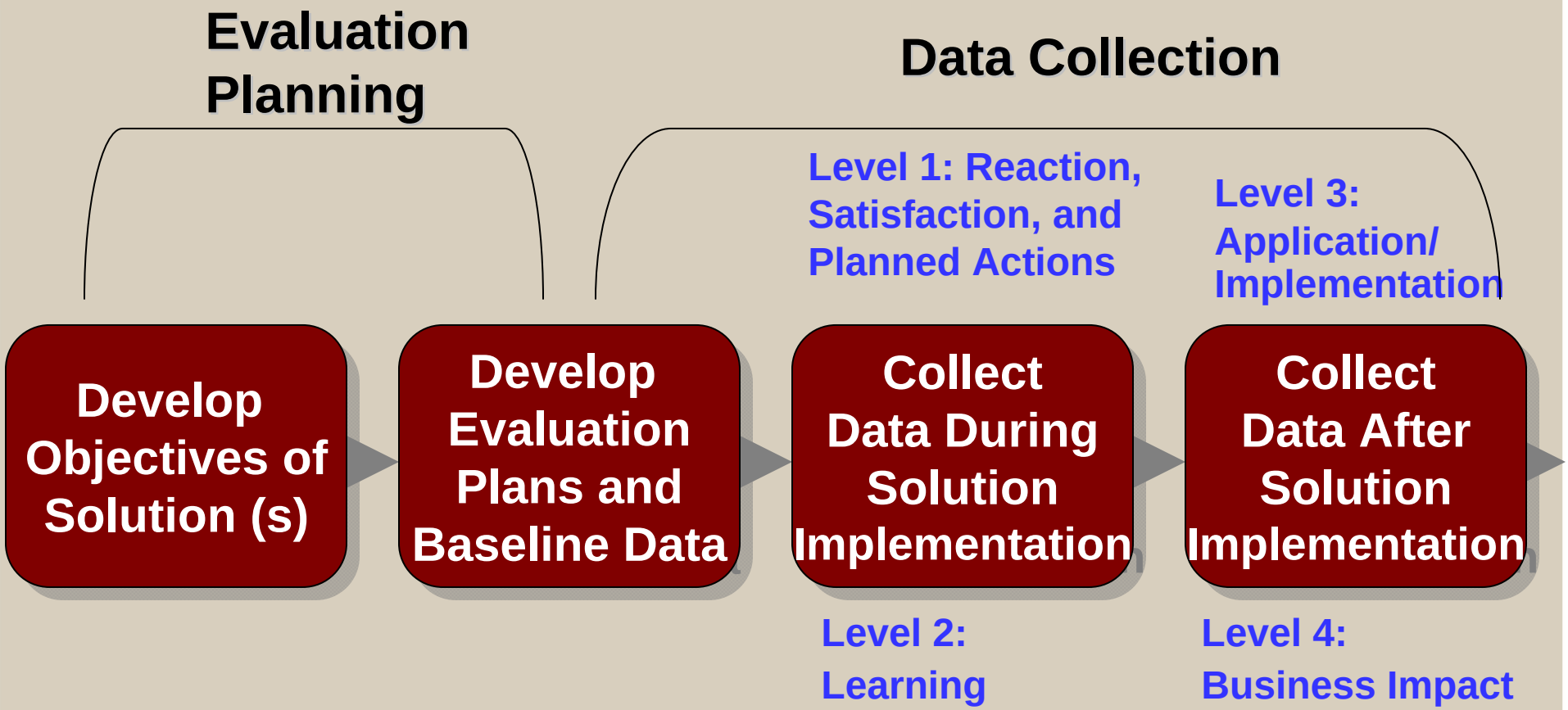
- Aligns project management strategically to business needs
- Earn respect of senior management/administrators
- Improve support for project management
- Enhance initiation and planning processes
- Identify successful processes that can be implemented in other areas

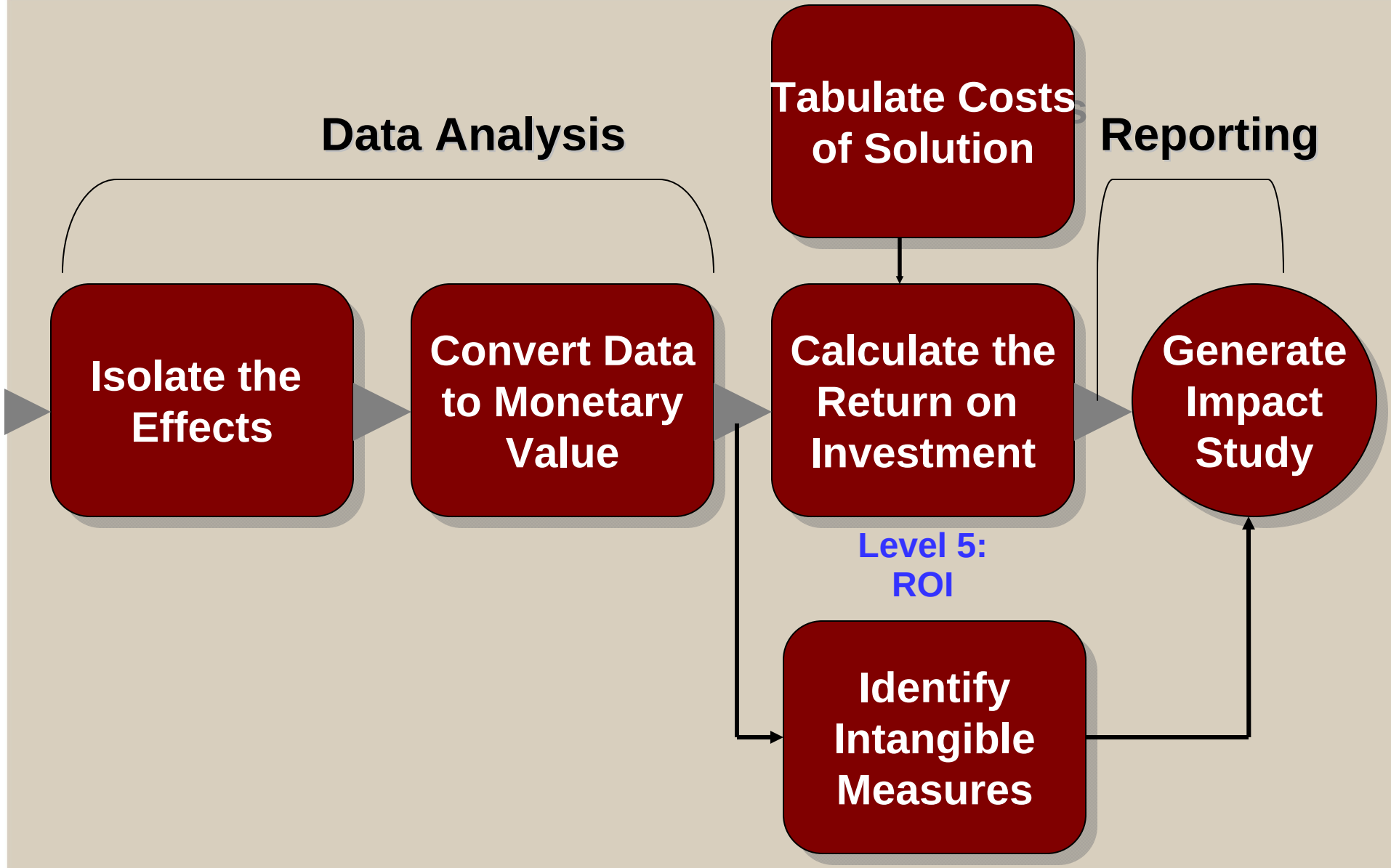
ROI Methodology Basic Elements

- Evaluation Framework
  - **5 levels of evaluation**
  - **6 types of data**
- A process model
  - **10 step process**
- Operating standards and philosophy
  - **12 guiding principles**
- Case application
  - **Document and tell your story**
- Implementation
  - **Teach it**
  - **Internalize it**

Level	Measurement Focus
1. Reaction & Planned Action	Measures participant satisfaction with project management processes and captures planned actions, if appropriate.

THE ROI PROCESS




Data Analysis
Tabulate Costs of Solution
Reporting
Isolate the Effects
Convert Data to Monetary Value
Calculate the Return on Investment
Generate Impact Study
Level 5: ROI
Identify Intangible Measures

Evaluation Planning

Step 1 – Develop Objectives

- Level 1 and 2 objectives provide
  - **Reaction on initiative**
  - **Feedback on implementation**
  - **Information on knowledge and skills obtained**

- Level 3 and 4 objectives provide
  - **Expectations on initiative**
  - **Satisfaction for program sponsors**
  - **Ties project management to strategic goals**

Criteria for Selecting Programs for Levels 4 & 5 (ROI) Evaluation

- Expected life cycle of projects
- The importance of the project in meeting the organization's goals
- Cost of the project
- Visibility of the project
- The size of the target audience
- Extent of management interest

ROI Target Options

1. Set the value as with other investments, e.g. 15%
2. Set slightly above other investments, e.g. 25%
3. Set at break even - 0%
4. Set at client expectations

Evaluation Planning

- Initial Kick-off Meeting
  - **Who should be involved?**
  - **What would increase success?**
  - **What do we cover?**

Step 2 – Develop Evaluation Plans and Baseline Data

- Data Collection Plan
  - **Broad program objectives for each level of evaluation**
  - **Measures**
  - **Data Collection Method/Instruments**
  - **Data Sources**
  - **Timing**
  - **Responsibilities**

Evaluation Planning

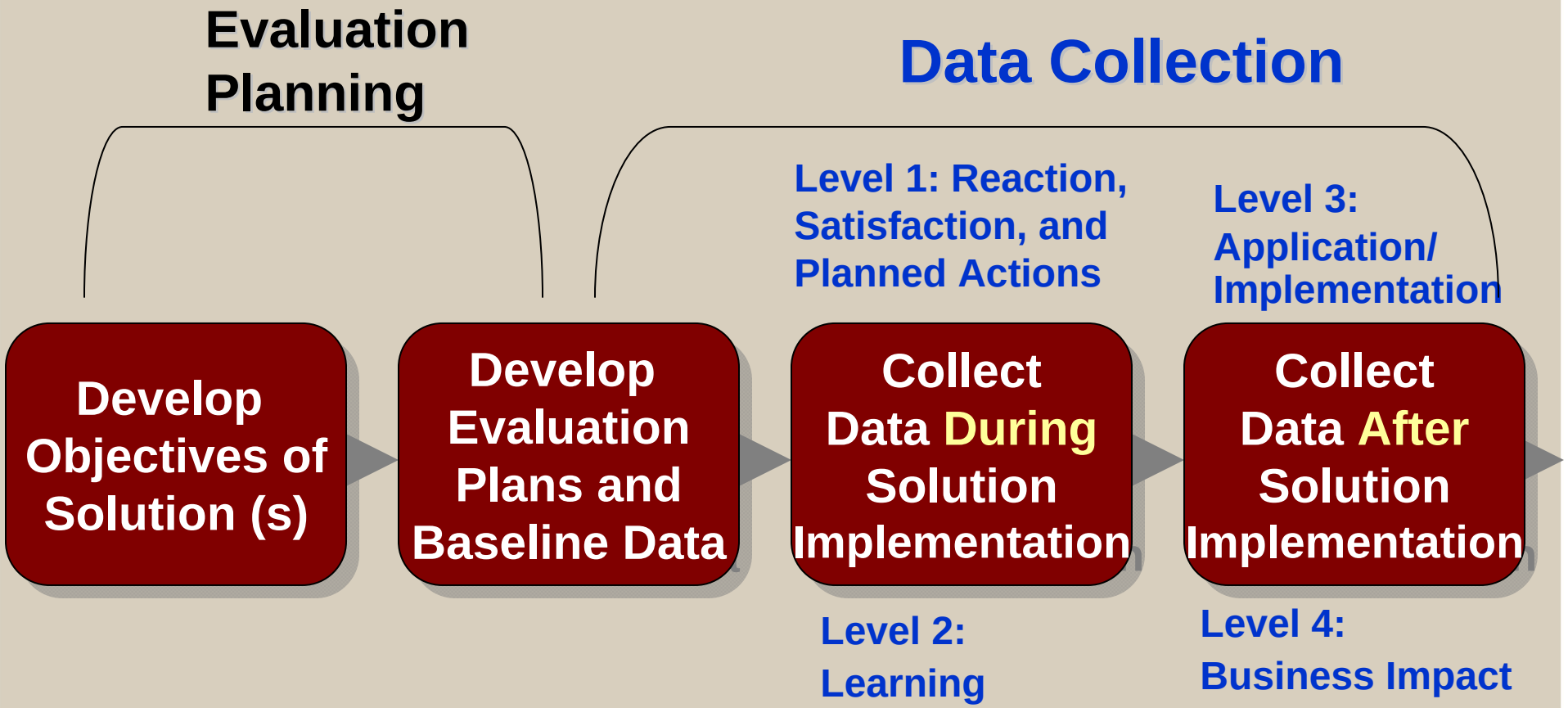
- ROI Analysis Plan
  - **Data Items (from level 4 objectives)**
  - **Methods for Isolating the effects of the Program/Process**
  - **Methods of converting data to monetary values**
  - **Cost categories**
  - **Intangible benefits**
  - **Communication targets for final report**
  - **Other Influences/Issues during implementation**
  - **Comments**

Evaluation Planning

- Project Plan
  - **Major Milestones**
  - **Deliverables**
  - **Timelines**
  - **Flow**

Data Collection

THE ROI PROCESS



Data Collection – Step 3 - During Program

Method	Level 1	Level 2
Surveys	✓	✓
Questionnaires	✓	✓
Observation	✓	✓
Interviews	✓	✓
Focus Groups	✓	✓
Tests		✓

Survey/Questionnaire Design

- Determine the specific information needed
- Review with stakeholders
- Select type(s) of questions
- Keep simple
- Develop the questions
- Design for easy scoring
- Develop administrative procedures
- Address anonymity issue

Survey/Questionnaire Design

- Common mistakes
  - **Vague statements/questions**
  - **Too many questions**
  - **Improperly worded questions**
  - **Confusing instructions**
  - **Too difficult to analyze**

Data Collection
Step 4 - Post Program

Method	Level 3	Level 4
• Surveys	✓	
• Questionnaires	✓	✓
• Observations on the job	✓	
• Interviews	✓	
• Focus Groups	✓	
• Action planning/improvement plans	✓	✓
• Performance contracting	✓	✓
• Performance monitoring	✓	✓

Action Plan Part I

Name: (optional) _____
Company/Organization: (optional) _____
Job Title (optional): _____
Course Date: _____

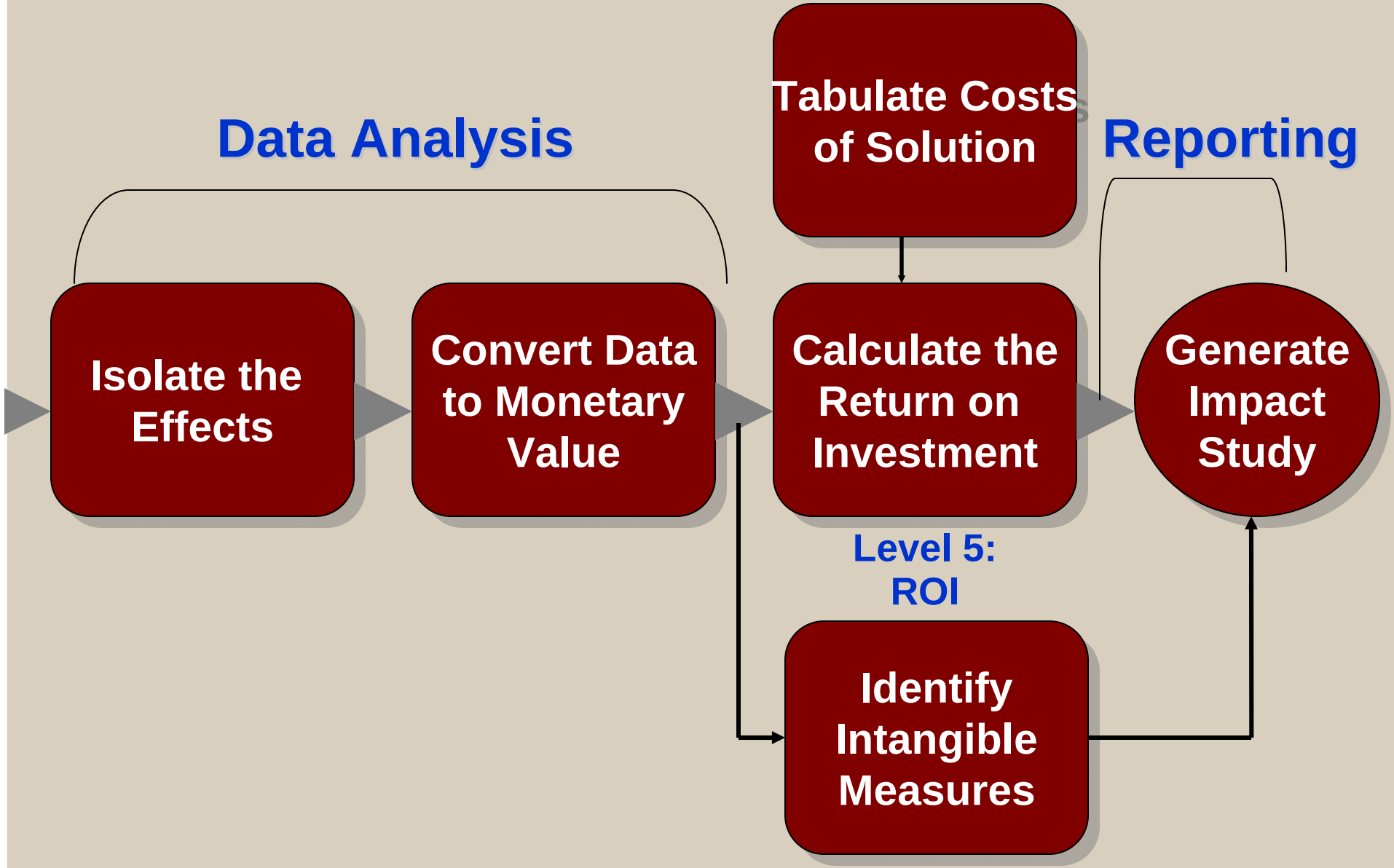
Specific Steps: I will do this	End Result: So that
1. Action 1 2. Action 2 3. Action etc…..	
Expected Intangible Benefits:	

Action Plan Part II

Name: (optional) _____
Company/Organization: (optional) _____
Job Title (optional): _____
Course Date: _____

Analysis
A. What is the unit of measure? Does this measure reflect your performance alone? **B. What is the value? $_____** **C. How did you arrive at this value?** **D. How did this measure change during the last month of the evaluation period compared to the average before the program?** **E. What percent of the change was actually caused by the application of the course?** **F. What level of confidence do you place on the above information? 100%=certainty and 0%=No Confidence**
Actual Intangible Benefits:

Data Analysis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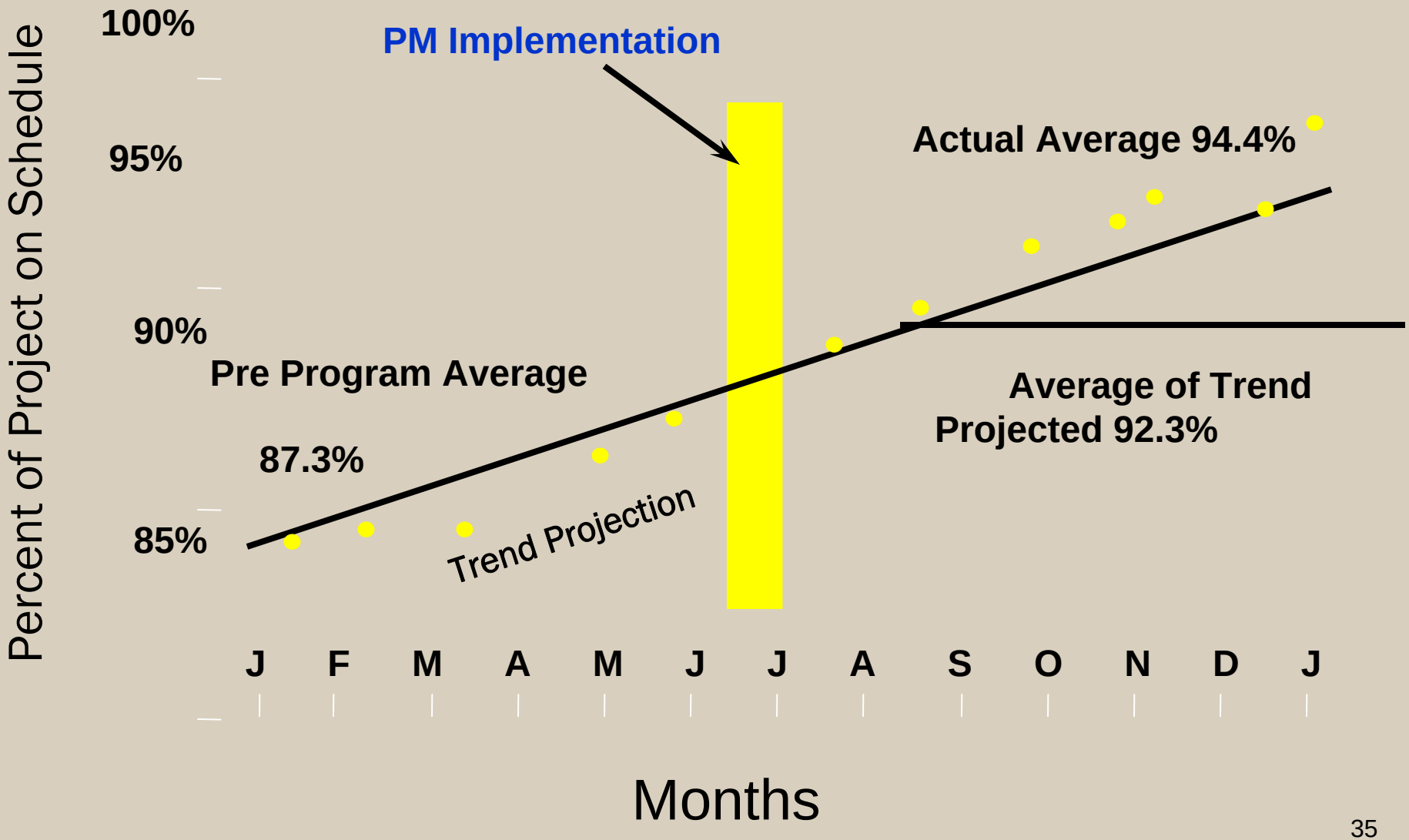
Step 5 - Isolating Methods

- Isolation shows your contribution
- Techniques used
  - Control groups
  - Trend line analysis
  - Forecasting methods
  - End user/performer's, supervisor's, and/or management's estimate of impact (percent)
  - Use of experts/previous studies
  - Subordinate's input of program impact
  - Calculate/Estimate the impact of other factors
  - Customer input

Schedule Delays



Example of a Participant's Estimation

Factor that Influenced Improvement	Percent of Improvement Caused By	Confidence Expressed as a Percent	Adjusted Percent of Improvement Caused By
Project Management	60%	80%	48%
System Changes	15%	70%	10.5%
Market Changes	5%	60%	3%
Process Changes	20%	80%	16%
Total	100%		

Step 6 – Converting Data to Monetary Value

- Challenging
  - Use data bases
  - Look at past project performance
  - Look at profits / savings from output
  - Historical costs / savings
  - Experts input
  - End user input
  - Staff estimation

Example of Converting Data Using External Database

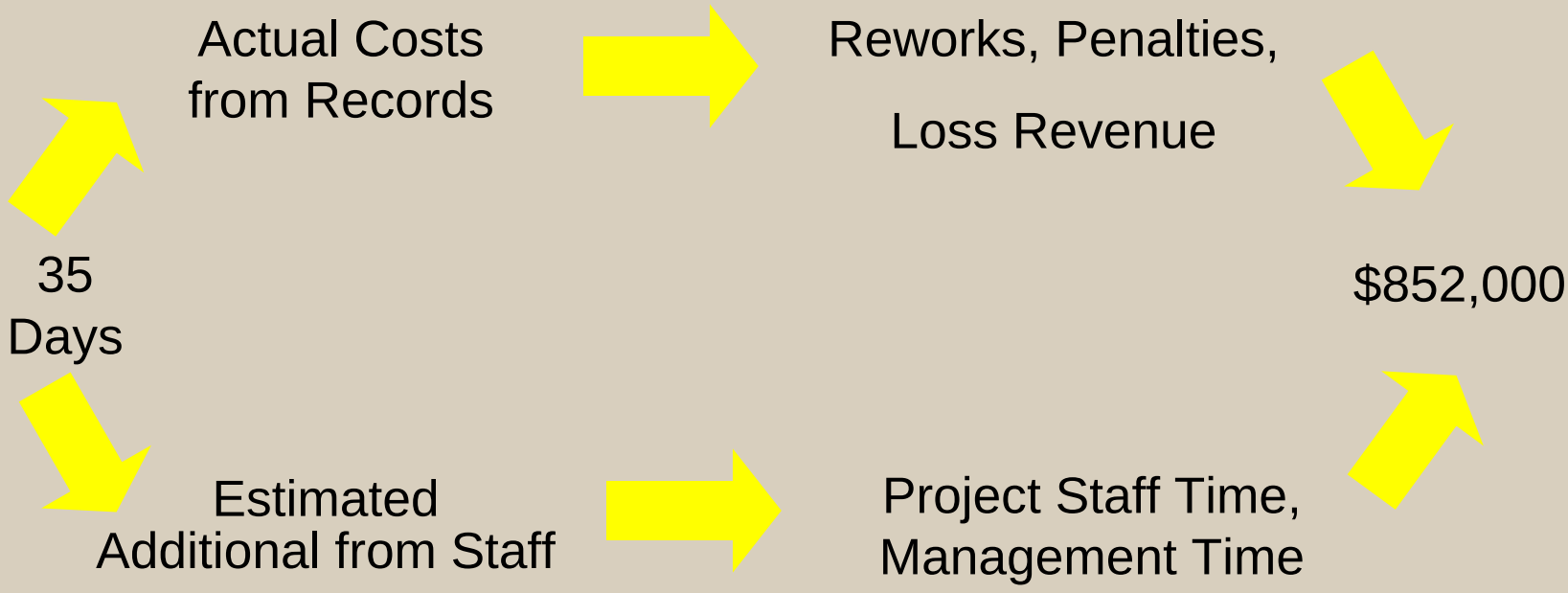
Cost of PMP Certified Consultant*

Non –certified PM	$120/hr = $240k annually
Certified PM	$180/hr = $360k annually
Cost for PMP	150% increase in billable rate

* External data - value obtained from industry professionals

Example of Converting Data Using Historical Records & Expert Input

The Cost of a Schedule delay



Example of Converting Data Using Historical Records & Expert Input

The Cost of a schedule delay

$852,000 Per Day / 35 Days = $24k per day

Step 7 - Intangible Benefits

Complaints

Teamwork

Conflicts

Commitment

Stress

Job Satisfaction

Engagement

Customer Service

Step 8 - Tabulating Costs

- Consider all costs
  - Analysis costs
  - Planning costs
  - PM costs
  - Monitoring and control costs
  - Operating/maintenance costs
  - Evaluation costs

Tabulating Costs

- Recommended items
  - Needs assessment
  - Development costs
  - Program materials
  - Training costs
  - Consulting costs

- Travel/lodging/meals
- Participants' time
- Project Management costs
- Operations overhead
- Evaluation costs

Tabulating Program Costs

Direct

- Program Materials
- Methodology
- Training Costs
- Facilities
- Travel

Indirect

- Needs Assessment
- Program Development
- Participant Time
- Administrative Overhead
- Evaluation

Step 9 - Calculating ROI

$$\text{Benefits/Cost Ratio} = \frac{\text{Monetary Benefits}}{\text{Program Costs}}$$

$$\text{ROI} = \frac{\text{Net Monetary Benefits}}{\text{Program Costs}} \times 100$$

ROI Example

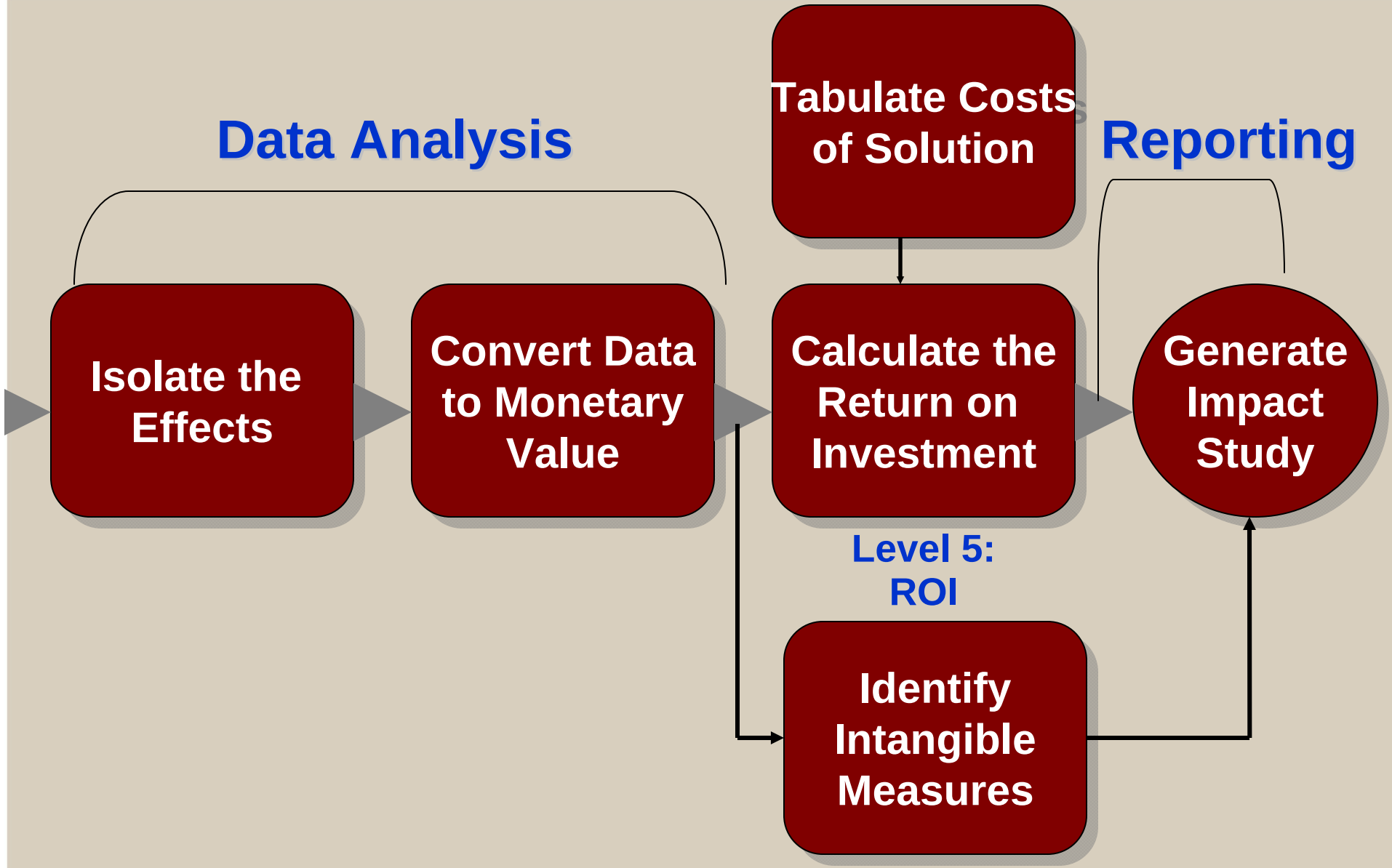
Costs for project $80,000

Benefits from project $240,000

$$\text{BCR} = \frac{\$240,000}{\$80,000} = 3.0$$

$$\text{ROI} = \frac{\$160,000}{\$80,000} \times 100 = 200\%$$

Reporting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Step 10 - ROI Impact Study

- Complete report
  - General information
  - Methodology
  - Data analysis
  - Costs
  - Results
  - Barriers and enablers
  - Summary of findings
  - Conclusions and recommendations
  - Exhibits - attachments

How do you get started with ROI?

- Develop an evaluation strategy
- Build capability
  - **Training**
  - **Publications**
  - **ROI Certification**
- Conduct an ROI Study
- Revise policies and procedures

Summary

- Identified why you need to measure the value of project management
- Introduced the ROI Methodology
- Explained the benefits of implementing the ROI Methodology in your organization

Contact Information

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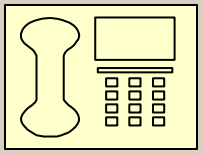

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